Public Interest Reports as a Medium for Corporate Disclosure: The Case of General Motors

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ABSTRACT. We examined the public interest reports of General Motors from 1971 to 1990 and presented the contents thereof herein. The principal areas disclosed by GM during those years that are discussed in this paper were minorities, women, and employment issues, energy and the environment, international operations, automotive safety, and philanthropic activity. The purpose of this study was to examine the public interest report as a vehicle through which a firm might disclose information in the public interest. We concluded that there were at least three principal forces driving GM's disclosures. They included public attention focused on, potential costs associated with, and the relative subjectivity of an issue.

In reading their public interest reports, it became clear that GM is socially responsive in matters of public interest. Whether they are socially responsible is a judgment not within the scope of this study. However, we do not preclude the possibility that the report may serve as a vehicle which would build a certain momentum in public responsibility, and thus partially drive decisions made by management in social issues.

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Introduction

Wood (1991, p. 693) redefined corporate social performance (CSP) as:

> a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships.

Wood used this definition to propose a "restructuring" of the CSP framework. In that restructuring, she effectively integrated the previously discreet principles of legitimacy, public responsibility, and managerial discretion. In her discussion of the research implications of that framework, Wood identified firm's modes of responses as important. Wood specified the need to examine the various methods firms use to convey information on responsiveness.

In the current study, one such method, as used by one company, is examined over time. General Motors (GM), since 1971, has provided public interest reports (PIR henceforth) to its shareholders, as well as to key actors in government, industry, and education. It is interesting to observe the narratives that GM develops over the period examined – of not only of what is included, but of that information excluded from discussion as well.

Quoting a passage from the 1934 GM annual report, Neimark (1992, p. 104) wrote:

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> One of the prime responsibilities placed upon the modern industrial organization is that of encouraging and preserving satisfactory relationships throughout all the various phases of its business. . . . Dealers, suppliers, employees, stockholders, customers and the general public, as well as governments – all play essential parts in the industrial scheme of things.

This passage is used to support Neimark's assertion that GM stressed the importance of achieving a harmony within the interrelationships associated with the corporate and industrial form. Clearly, GM has observed the importance of public perceptions of its sense of responsibility.

However, as Neimark pointed out, many statements by GM, whether in annual reports, public forum, or even in advertising, have been in discord with one another. For example, Neimark pointed to annual reports published in the late 1960's, observing on one hand statements minimizing the contribution of the auto industry to air pollution, but on the other

> praising the company's efforts to reduce them – while in Washington and state capitals GM was actively participating in industry efforts to defeat or delay legislation to mandate improved levels of air quality.

It is not our intent to engage in this discussion. As the contents of GM's PIRs were examined, it became clear to us that the PIRs were, at least in part, a public relations tool. However, there is a great deal to be learned from analyzing this information. As we proceed, it should become evident that in certain spheres, GM went to great lengths to tell a story – to provide a narrative that described and argued its position. But in other spheres of social performance, there was little in the way of argument, or in the way of narrative. In discussing Equal Employment Opportunity (EEO) matters for instance, GM presented a very factual, numbers-oriented statement. GM drew few conclusions from these numbers. Rather, they related a set of observations presumably confirming compliance. But on the matter of environmental integrity, the reports went into great detail. The PIRs disclosed GM's efforts to comply with the various standards of the Environmental Protection Agency, analyzed various contributors to air pollution, and discussed how automobiles affect air quality. In 1989, most of the PIR was devoted to the environment.

Our study does not argue the responsiveness or nonresponsiveness of GM to social issues. Rather, we evaluate the PIR as a method by which a firm might respond to public concerns about social issues. We found that the extent to which GM focused on an issue, and the nature of that focus, generally was a function of three interrelated factors: (1) the extent to which public attention was focused on the problem, (2) the cost associated with GM's adherence to a public standard of social behavior, and (3) the relative objectivity of the issue.

In the remainder of the paper, we first discuss the development of the PIR at GM. Next, we turn our attention to the content of the PIRs. Finally, we discuss our conclusions.

The public interest repots of GM

From 1971 to 1974, GM published a proceedings of annual conferences held for the purpose of detailing programs of public interest. The first conference was held in Milford, Michigan, GM's proving grounds, with subsequent conferences held in Warren, Michigan, site of GM's technical center. The proceedings indicated that GM began disclosing this information because of the increasing sense of social consciousness that developed during the 1960s. In April 1975, a PIR covering the previous year was produced. The format of the report was in the tradition begun with the proceedings published in prior years, and that was the format in each year thereafter. In the following sections, we describe and analyze several issues discussed repeatedly in the PIRs issued by General Motors from 1971 to 1990. These dominant issues are:

Minorities, Women, and Employment Issues
Energy and the Environment
International Operations
Automotive Safety
Philanthropic Activity

Minorities, women, and employment issues

The 1960s brought about many changes in our society with respect to minorities and women. The Civil Rights Act of 1964 laid a groundwork for equal employment opportunity without regard to race. Women, through legislation that fell just short of including a constitutional amendment, improved their position relative to the goal of equal opportunity in the work place. And in this new and changing social climate, GM used the PIR extensively to disclose the progress it made in equal employment.

In 1969, the Department of Commerce established the Minority Enterprise Small Business Investment Companies. This was a program designed to provide seed capital and management know-how to minority-owned and operated businesses. In 1972, under the guise of this program, GM established minority Enterprises, Inc. (MEI) as a conduit for providing development loans to small minority-owned businesses. This program was to be highlighted in years to come as a centerpiece of GM's efforts toward enhancing minority opportunity. GM pointed out that the focus of this program was to provide loans to small minority-owned businesses at locations near GM operations:

> These investments are made primarily in areas of the country where the Corporation operates, enabling local GM personnel to extend critically essential technical and managerial service on a voluntary basis. (PIR, 1974, p. 38).

The reports further stressed that GM, in offering the MEI program, assumed a very high risk since these were businesses that were unable to obtain more conventional financing.

In 1971, the issues addressed by GM focused primarily on recruitment and employment opportunities afforded blacks and women at GM. Also included were discussions of programs for hard-core unemployed and for educational opportunities afforded employees of GM. However, GM did not indicate a specific direction for these programs. With the development of MEI, GM put in place a cornerstone for building a comprehensive support program targeting minorities and women. Over the years, this one program grew into many, including GM's use of minority-owned suppliers, insurance companies, and brokerages, contractors, and banks, as well as significant advertising placed in minority-owned media. There were also increases in proportional enrollment of minorities and women at General Motors Institute, a private college established by GM specializing in engineering and business education.

In 1983, GM's PIR disclosed that an action initiated in 1973 by employees of GM was settled. The agreement called for GM to invest approximately $44.5 million in new and existing job and education programs for minorities and women. Interestingly, there was little said of the action itself. The first indications of a group action was in the proceedings of the 1974 meeting. During a discussion session, a question was asked about the specifics of ". . . the complaint filed by the EEOC against General Motors?" (PIR, 1974, p. 30). The response to that question came in two places in the report. There was a relatively vague response from the meeting itself, and another in response to questions that were not answered during the meeting. In response to the latter, the report provided specific answers to charges that GM employment figures were inconsistent with national averages, for example:

> . . . a large number of the positions in the managers, professionals, and technicians categories at GM, where women comprise over four percent of the employment, require an engineering or technical background. One of the obstacles to the recruitment and placement of women in these areas is the lack of qualified applicants. For example, U.S. Department of Commerce statistics indicated that only two percent of engineering jobs were held by women in 1973. (PIR, 1974, p. 86).

In 1975, GM disclosed that they were the object of an action under Title VII of the 1964 Civil Rights Act. The action claimed that GM dismissed, in a layoff, a disproportionate number of minority workers. GM's response, presented in that PIR, was that the layoffs were on a seniority basis, and that a seniority-based layoff was not protected under Title VII. It seems to us that

these actions provided significant incentives for GM to disclose its efforts to enhance minority employment. And, in years following this disclosure, information regarding this issue was very detailed. In 1983, the action was settled. From reports immediately prior to the settlement, the nature of the disclosure became more concise, disclosing basic information about specific programs, and listing EEO statistics.

Although the majority of discussion centered around minorities, there were occasional references to programs conducted on behalf of women at GM. To a large extent, programs targeting women were primarily in the areas of education and recruitment. In 1980, GM formed the Women in Management Advisory Committee. This committee was charged with the responsibility of facilitating career success for women employed by GM. This involved counselling both the management of GM and its female employees. GM also was active in enhancing efforts to recruit women. GM did not discuss specific programs designed to foster women's careers. In the 1974 Proceedings, the reader was informed of GM's policy on pregnancy leaves:

> . . . (pregnant women) are still on our employment rolls, and their long-term benefits continue. They can come back to work when medically able; and, of course, our medical program and our Blue Cross programs take care of the majority of the expense involved in the birth of a baby. (PIR, 1974, p. 30).

For 1974, this policy represents a relatively progressive policy. However there was no mention of policies in ensuing years. For instance, there were no indications of flexibility programs such as job sharing or parental leave, which were programs that came into vogue in the 1980s (The Boston Women's Health Book Collective, 1984, pp. 415–416).

GM discussed the nature of the work environment in a variety of other contexts. Some of the more prominent discussions involved (1) self-improvement and self-help programs offered to employees, (2) quality of work life, (3) human resource management, (4) management/employee relations, and (5) job displacement. With respect to self-improvement and self-help programs, GM worked with employees in several areas. For example, a program dealing with alcoholism was initiated in 1972 (expanded in 1974 to include substance abuse) in response to a National Council on Alcoholism report estimating a 1 in 13 alcoholism rate among industrial employees. GM acknowledges that one motivation for instituting such programs is to work toward controlling costs associated with such problems as alcoholism and substance abuse in the workplace. However, they added:

> the help given to a substantial number of employees, as well as family members, through this Program has emphasized to GM management that the humanitarian aspects of the Program are of equal, if not of greater, importance. (PIR, 1974, p. 4).

Education was of significant concern at GM. The process of modernizing the work force was introduced early in the reports, a theme maintained throughout the twenty years of disclosure. These programs were centered around concerns related to job displacement due to automation and plant closures, as well as programs for those who simply wanted to learn. In-house training and programs to aid pursuit of outside education were highlighted. Several federally funded programs, such as the Job Training Partnership Act (JTPA), and the Comprehensive Employment Training Act (CETA) affected GM in that they provided funds for administering certain qualifying job training programs, tailored to local needs.

GM also used its PIRs to emphasize its concern with the quality of work life of its employees. GM reported a variety of programs instituted over the years to improve working conditions. In 1973, GM cooperated with the United Auto Workers (UAW) in forming the Committee to Improve the Quality of Work Life, later renamed the Joint National Committee. Quality of Work Life (QWL) existed as an ongoing program allowing organizational units to define their own standards and means of improving QWL. QWL programs were also discussed in the context of decreasing absenteeism. The QWL program was developed into a more structured one in 1976, when GM implemented

a program designed to measure the quality of work life using a 16 dimension scale. The measure was based on workers perceptions of those dimensions.

GM also disclosed its efforts to maintain a safe and healthy work environment. PIRs reported standards of compliance expected by OSHA, as well as educational and cooperative programs to enhance safety in the work place. Many reports focused on the efforts of joint committees sponsored by the UAW and GM.

Periodically, societal changes and preferences were reflected in the PIRs. In the 1985 report, GM disclosed programs associated with dual career families, with respect to relocations and child care. And in the 1990 report, an additional program instituted at GM to enhance AIDS awareness was disclosed. Under that program, GM distributed informational literature endorsed by such organizations as the American Medical Association, the National Center for Disease Control, and the American Foundation for AIDS Research. Reportedly, this program was praised for its forward thinking perspectives and was jointly sponsored by the UAW-GM National Joint Committee on Health and Safety. (PIR, 1990, p. 25).

One very difficult issue facing GM during our study period was the increased number of plant closings. GM reported that the closings were due to a number of factors, including increased competition from world markets, changes in production technology, and outsourcing of products used in the production process. In 1981, GM began to emphasize its policies on plant closings. The reporting was fairly comprehensive, including discussions of such efforts as advance notice, alternative utilization of facilities, retraining, and job placement services for displaced workers.

PIRs reported that in one instance, at the Tuscaloosa, Alabama facility, GM and the UAW cooperated in an effort to keep the plant open. In the summer of 1982, a cooperative agreement was signed reducing operating costs by about $1.5 million. But without further cuts, the plant was to be closed. In February 1983, the plant was designated an "applied research facility" and was allowed to continue operating for a period of three years while the faculty and students from the University of Alabama sought additional ways to cut costs. After three years, the program had identified ways of trimming about $470,000 in additional annual operating costs. The plant remained open.

Energy and the environment

Energy, and its relationship to the environment provide an example of how complex the issues regarding disclosures can be. In early reports, the discussion was contained within a fairly narrow range of topics. In 1971, for example, GM discussed emission control, industrial pollution, abandoned cars, and urban transportation. In subsequent years, ones of tremendous increased awareness of the environment, the topics addressed grew in number and in detail.

For instance, in 1971 and 1972, emission control was discussed in relation to vehicle emission standards to be enacted in 1975 and 1976. But as GM pointed out, these standards were also inversely related to fuel efficiency. As a consequence, GM also discussed alternative fuels and power sources (e.g. electric, diesel, and rotary engines.) In later years, discussion turned to such diverse topics as aerodynamics, electronic engine control, and tire construction, all falling under the heading of fuel efficiency.

The efficiency issue was further complicated with the Arab oil embargo in October 1973. GM's perspectives on various national policies regarding domestic fuel production, efficiency standards, and changing world energy economies were suddenly relevant social issues as well as economic ones. The embargo was of such significance to world markets, that the 1974 report included an opening address on the issue by GM's chief economist, Henry L. Duncombe. Dr. Duncombe used this forum to detail the nature of growth in the world's consumption of natural resources relative to the production of energy. This was largely a discussion of the dynamics associated with technological advancement, and thus a *de facto* criticism of Meadow's (1972) then popular *The Limits to Growth*. Following Dr. Duncombe's address, discussants

presented GM's technological progress toward solutions in energy conservation and emissions control. GM seemed to be presenting the argument that the trend toward mandated fuel efficiency and emissions standards constituted a knee-jerk reaction and an inefficient solution to the problem. These arguments continued in following years. In 1979, for example, GM offered a discussion titled "The Burden of Government Regulation" outlining costs that would be passed to consumers as a result of future impositions of emissions and fuel economy standards. GM cited as potential costs increased use of older cars (ones less efficient and more polluting than those that would have otherwise replaced them), fewer jobs, and a shrinking used car market (PIR, 1979, p. 60).

Another issue related to emissions was smog. GM reported that smog is essentially ozone. Ozone in the stratosphere is, as we now know (through GM's reports, if from no other source), an essential barrier between us and the harmful radiation of the sun. But at ground level, it is a pollutant, subject to ambient air quality standards established by the EPA, that represents a health hazard. As a result of this interrelationship, GM provided an extensive treatise on chloroflouro-carbons (CFCs), the molecules that have been attributed to the destruction of ozone. GM explained, in (relatively) easy to understand terms, the nature and effect of CFCs, as well as other technical issues related to emissions (e.g. CO, CO_2, SO_2, NO_x, and acid deposition).

In the 1985 PIR, the effects of gasoline vapor emissions during refueling were examined. GM discussed phase I and phase II recovery systems. Phase I systems involve recovery of vapors released when delivery trucks fill station tanks. Phase II systems recover vapors released during refueling of individual vehicles. Phase I systems are currently in use throughout the U.S. California is the only state that required phase II systems as of 1990. The reports debated the merits of the systems, and the types of recovery systems available for the market. Since one of the phase II systems proposed was an on-board system (ie. built into the car), GM was extremely interested in the issue, summarily indicating the on-board option is not commercially feasible.

PIRs included many responses and position statements made by GM on various specific legislative proposals and standards, such as the Clean Air Act Amendments of 1977, and the Clean Air Act reauthorization in 1981. The various emission regulations originated primarily from the Environmental Protection Agency and from the state of California. As we discuss in more detail later, GM addressed most regulatory issues with resistance. The principal debate was over the issue of fuel efficiency requirements and emissions standards. The Corporate Average Fuel Economy (CAFE) standards applied to fleet production. GM maintained that it was at a competitive disadvantage because Japanese manufacturers specialized in small cars and would not have to make significant adjustments to bring their fleet of cars into compliance. So throughout the period covered, the PIRs were a device through which GM pleaded its case to the public. Interestingly, GM complied with the CAFE standards, even exceeding them in some years. In the 1980s (particularly 1985), GM cited the automobile industry's contribution in controlling emissions as reason to relax existing standards. Circular arguments such as this point to the corporate bias present in many of GM's reports.

Occasionally, GM presented startling statistics in support of its efforts. For instance, in 1978, they disclosed that prior to 1961, Carbon Monoxide (CO) emissions averaged 90 grams per mile. By 1978, that number had been reduced to just 3.4 grams per mile. The reports offered an effective medium through which to make these points.

Clearly, emissions control is a complex issue. Other equally complex issues were afforded similar comprehensive treatment. These topics include industrial pollution (OSHA and the EPA), vehicular noise control (1972 Federal Noise Control Act), and solid and hazardous waste disposal (Resource Recovery and Conservation Act of 1976).

During the years studied, GM apparently recognized the importance of addressing environmental issues in its PIRs. In 1989, GM devoted over half of the annual PIR to environmental concerns. As in 1974, this report once again called on the expertise of an economist to

draw attention to competing issues. In the 1989 report, GM expressed its global concern for environmental integrity. GM discussed air quality standards and legislation, issues associated with ozone depletion, acid deposition, potentials for alternative fuels, greenhouse effects, the effects of CAFE standards, and waste management. In each case GM stated its position and its related activities.

International operations

In disclosing information about GM operations overseas, we recognized two distinct types of discussion. One is a descriptive account of international marketing strategies. The other is an argumentative rationale for the presence of GM activities in countries dominated by oppressive politics.

GM operations spanned six continents. GM claimed that operations in countries around the world aided not only its shareholders, but developing nations as well. In a variety of ways, it attempted to assure stakeholders that GM was acting as a responsible participant in local markets. GM was persistent in disclosing its operating principles in foreign markets. In the PIRs, GM discussed these policies at length. At the 1974 meeting, GM described its "Guest Philosophy" (PIR, 1974, p. 9) stating:

> . . . we expect each General Motors subsidiary to contribute in its area of competence to the broad spectrum of national goals the host country may have established for itself . . . We are subject to the host country's laws, and . . . are committed to a respect for its customs, cultures, and traditions. While we may not agree with some of these laws and customs, we try to work within the system as a positive force for progressive change.

This general assertion of GM's policy describes the perspective it took on several specific international issues over the years covered by the report. This is discussed in more detail later in the paper. GM also used the PIR to talk about its development of a "world car". It had developed a line of automobiles that it produced and marketed worldwide. This included not only familiar names made by U.S. manufacturing facilities, such as the Chevrolet Chevette, but cars such as the Opel Kadett and the Holden Gemini.

As with so many other issues, the PIRs discussed the implications of regulatory interference in markets. GM advocated a relaxation of trade barriers between international boundaries, and took a stance favoring a uniform set of international standards.

During the reporting period, GM defended its operations in several countries, including Chile and Yugoslavia. Perhaps the most pervasive issue for GM overseas was its operations in South Africa. GM originally established operations there in 1926 with a small assembly and distribution facility. Over the next five decades, government and social policy in South Africa, manifested itself through such legislation as the Factories Act (1941), the Industrial Conciliation Act (1956), and the Physical Planning and Utilization of Resources Act (1967). Apartheid made the U.S. presence there seem socially untenable.

In 1971, GM received a letter from the Episcopal Church strongly suggesting that GM include in its annual proxy statement a proposal that GM systematically withdraw its operations from South Africa. GM addressed the issue in its 1971 report, and discussed the issue repeatedly for the next 16 years until GM's withdrawal from South Africa in 1986.

Responses subsequent to the 1971 report emphasized the positive role GM played in South Africa. When GM originally started operations in South Africa, employment was exclusively white. In 1971, total non-white employment was approximately 60%. This was provided as evidence that GM's presence in South Africa had a significant positive effect on the local economy from a moralist perspective. Non-whites were provided employment opportunities, and GM was able to work for social reform from inside the country.

Some of the arguments posited by GM were subtle. In the 1976 report, a section devoted to international operations in general centered on operating principles maintained by GM in host countries as described above. The implications for South African operations were obvious. GM

endorsed the principles of abiding by local laws, policies, and customs. The report asserted that GM "scrupulously" avoided involvement in partisan politics, and did not make political contributions that would favor a particular faction. In prior (and we will find in subsequent) reports, GM maintained that it was trying to do all it could within the constraints of South African law to improve the plight of non-white South Africans.

GM provided detailed explanations of laws pertaining to its effectiveness in operating in South Africa. These included such legislation as local content rules which require that a specified proportion of a product being assembled for sale in South Africa be manufactured or purchased locally. These laws were, and are, applicable in many countries around the world. GM also included bills passed in the U.S., such as Bulletin 175 issued February 16, 1978 by the Department of Commerce, that imposed an embargo of exports and re-exports of U.S.-origin commodities and unpublished technical data to South Africa and Namibia. The intent of the bulletin was to restrict delivery of goods intended for military or police use in those countries. To assure compliance, GM began monitoring the product and technical content of vehicles sold in South Africa to assure that those products covered under the bulletin were not distributed to the government. This was given extensive coverage in ensuing reports.

In 1977, GM had the opportunity to disclose an operating policy that took on historical significance. It was in that year that GM endorsed a recently drafted "Statement of Principles of U.S. Firms With Affiliates in the Republic of South Africa". These principles became known as the Sullivan Principles, drafted by the Reverend Leon Sullivan, a board member with General Motors. In that year, there were 12 signatory firms endorsing the principles. In the year following ,there were over 100 signers of the doctrine. In subsequent reports, GM used the Sullivan Principles as an outline of progress made during the year, seemingly aligning itself more closely with the doctrine.

Not disclosed in the GM report, however, was the major reason Sullivan developed the principles. When Sullivan first was elected to the board in 1971, he proposed the immediate withdrawal of GM from operations in South Africa. He found that to be an impractical position to maintain from a corporate perspective, and drafted the principles mentioned above. As noted, the principles quickly gained widespread acceptance in the corporate community, and were later developed into a measure used to monitor the activities of international firms operating in South Africa (Paul, 1989).

The central theme throughout the discussions on South Africa was that GM represented a positive force in South Africa, and that prevailing thought is split on whether or not it would be a positive step to withdraw from South Africa. GM maintained that European or Japanese firms would likely move into any operations vacated by GM, and would not necessarily embrace the same values as their U.S. counterpart.

In the late 1970s and early 1980s, discussions became very predictable, as there was relatively little to report in the way of change. There were two distinct sides of the argument. Social activists argued there should be immediate and severe economic sanctions to induce an end to apartheid. This was to include the withdrawal of U.S. owned enterprise in South Africa. GM countered that the presence of U.S. enterprise in South Africa afforded an opportunity to express anti-apartheid sentiment from an insider perspective, and to actually work from that insider position to induce change. Additionally, it afforded greater opportunity for non-whites employed by U.S. interests. Having operated in South Africa since 1926, a question could have been raised as to the fairness of GM bearing the cost of America's morality. GM, did not raise this issue in its reports. It continued to argue that their withdrawal from South Africa would do more harm than good to the non-white population there. Proponents for withdrawal argued the opposite.

During the early and mid-1980s, public sentiment against operations in South Africa continued to mount. A proposal was forwarded by the stockholders to discontinue sales of any kind to the South African government, and that there be a concerted effort to prevent similar sales on

the secondary market of GM products by customers. The 1979 proxy statement disclosed the proposal, and noted that one director, Dr. Leon H. Sullivan, endorsed the proposal. Although 97% of the shareholder votes supported management's position, the proposal forced a formal debate of the apartheid issue.

In its rationale for continuing sales of non-U.S. content to the South African government, GM claimed that cessation of such sales would not impact the operations of the government. At the same time, it would impair the ability of the corporation to service the needs of communities and individuals in South Africa, including black and African constituencies.

In the 1983 and 1984 reports, GM indicated that pressure was mounting for the withdrawal of U.S. interests from South Africa. Specifically, in the 1984 report, the auto maker elaborated on steps taken by U.S. groups to encourage divestment from South Africa operations. A number of states imposed restrictions on funds granted to firms with operations in South Africa, and several others introduced legislation to that effect. Federal legislation was introduced to prevent new investment in that country.

In their ensuing arguments, GM cited Secretary of State George Schultz as defending the presence of U.S. business in South Africa, presenting the same principal reason GM cited in the past: that the divestment from South Africa would hurt most the very people the U.S. is trying to help, the non-white South Africans themselves.

After 60 years of operating in South Africa, GM, in October of 1986, announced the sale of GMSA to a local management group who had newly formed a company called Delta Motor Corporation. GM agreed to continue to license the operation and supply certain critical components not otherwise available in an effort to preserve the opportunities that were created there. Unemployment in Port Elizabeth at the time was 56% for whites, and 67% for blacks. The reasons cited by GM principally involved substantial losses and a poor economic outlook. Not mentioned in defense of this argument was the Comprehensive Anti-Apartheid Act of 1986, restricting new investment in South Africa, and pending legislation, associated with deficit reduction, repealing tax credits of firms operating in South Africa. In other words, if passed, this new legislation would force GM to pay income taxes to both the U.S. and South African governments for operations in South Africa. This legislation was passed in 1987, after GM's withdrawal.

GM's withdrawal was part of a U.S. business disinvestment en- masse. In 1985, the Reverend Leon Sullivan, initiator of the Sullivan principles called for a withdrawal of U.S. based firms from South Africa. Ironically, the position into which Sullivan was forced in 1976 provided him the leverage needed to send a powerful signal to U.S. interests in South Africa: that the principles he originally drafted, and the four amplifications in subsequent years, were not working. In 1984, eight firms abandoned operations in South Africa. In 1985 that number increased to 39. GM became one of 47 U.S. based firms to leave South Africa in 1986 (Paul and Aquila, 1988).[1]

Automotive safety

The Department of Transportation (DOT) and the National Highway Traffic Safety Administration (NHTSA) played significant roles in the development of thought on automatic safety for GM. The PIRs show clearly that GM wants the public aware of its efforts to comply with occupant safety legislation. Discussions of automotive safety appeared in every PIR we examined.

From 1971 to 1974, much of the emphasis was on the GM proving grounds and test facilities. These included demonstrations of bumper tests, crash barriers, and impact sleds. In later reports, the discussions turned toward research and development with much attention paid to regulatory requirements.

The PIRs reported on the development of systems now taken for granted by most passengers, including inertial shoulder restraints, air cushion restraint systems, shatter resistant windshields, and dashboard warning light systems. GM used its PIRs to emphasize the resources expended on safety systems some of which

resulted in no specific improvement. For instance, in early experiments, GM worked on one system that would deploy a next over side windows to keep occupants from flying out in the event of a roll-over, and another that deployed airbags from the roof for rear passengers.

PIRs also disclose the role occasionally played by government incentives and intervention. From 1974 to 1976, GM retooled to offer airbags in passenger cars for less than cost. However, the public purchased only about one-tenth of the number of airbags for which GM retooled. In 1977, after abandoning the project, GM and several other major auto makers entered an agreement with DOT to manufacture and market 150,000 cars equipped with airbags from the 1980 and 1981 model years. Although GM was vague in the details of the agreement, they offered arguments against federally mandated airbags. This can be construed as a move by GM to avoid a federal mandate.

In later years, GM's PIR paid increased attention to side impact collisions. This attention resulted from new test standards imposed by the NHTSA. GM pointed out that it implemented side impact standards long before the mandates, but with the new, enforceable standards, there were clear signs of increased activity. PIRs included discussions on new test dummies designed for such impacts, diagrams of door guards, and commentary concerning its views on the new standards.

A related theme persistent throughout the reports (on this and many other issues) was the cost effectiveness of various systems. GM repeatedly argued that federal mandates and government regulation forced consumers into decisions for which they were unwilling to bear the costs. Although GM conveys an understanding and even endorsement of periodic government intervention, it proposed that such intervention be dispensed judiciously.

As mentioned earlier, there was significant attention devoted to research and development. From the initial years of the reports, GM focused on its facilities, including the proving grounds in Milford (site of the first conference in 1971) and the impact simulation facilities. In later years, introduction of sophisticated test dummies, dummies constructed specifically in response to DOT test standards, and the use of computer simulated crash tests were also discussed.

The significance of this research is underscored in two ways. First, GM presents statistics reinforcing the value of this research and development. For example, GM states that in the 1930s deaths per 100 million miles driven were 15, and in 1988 that number was only 2.4. GM quickly followed that by stating that more than 400 full scale crash tests are performed each year, and another 1,200 crash tests are performed on various component systems.

Second, GM used the PIRs to advance opinions held by management. It disclosed, for example, the cost of installing seat belts, and the statistics associated with reduced injury rates when belts were used properly. GM mentioned programs designed to improve seat belt use among its own employees. And in similar contexts, it discussed the costliness of the airbag, and the adverse economic effects of mandating such a system.

In 1989, the same year GM devoted half of the space in the PIR to report on its environment efforts, it devoted nearly all of the remaining space to automotive safety. The transition in that report from environmental issues to safety issues was made with a report on GM's Environmental Activities Staff, whose responsibilities included not only monitoring environmental issues, but safety-related issues as well. In those pages, GM elaborated on many of the points that were made in previous reports; effects of safety regulation on automotive cost, research being conducted, the development of more sophisticated test dummies, the interaction of outside forces, such as drunk driving, and the formation of a medical committee for automotive safety. That report served to underscore, as it had for environmental issues, how extensively this subject impacts the operations at GM. And as with the environmental issues, it also is an indication of how the PIR served GM in disseminating technical information which had the potential of significantly affect operating costs.

Philanthropic activities

As with their programs involving the advancement of minorities and women, GM began their reporting of philanthropic activities in a way that suggested little centralized effort. Many of the efforts targeted communities in which GM maintained operations. However, as the years passed, GM began to focus its efforts. Since the establishment of the General Motors Foundation on January 1, 1977, a central decision-making authority coordinated the charities in which GM was involved.

In 1979, GM's philanthropic efforts involved three principal activities. They included (1) Plant city committees, (2) the GM Foundation, and (3) Other contributions. The plant city committees were responsible for administering local funding. These included the sponsorship of worthwhile activities for women and minorities, health and safety programs, and community service awards. They also provided support for local health and welfare organizations, as well as hospitals.

The GM Foundation, as mentioned above, was responsible for administering programs on a national basis, and establishing priorities for program development. They were also charged with conducting public policy research. Each year, the Foundation report progress made in the arts, public television, innovative educational awards (e.g. the Presidential Young Investigator Award), and contributions to nationally recognized endowments and universities.

Much of the aid over the years targeted education. Consistently referenced were donations to the United Negro College Fund, loans, grants, endowments, scholarships, and pre-college programs. Through these, GM enhanced educational opportunities on a relatively broad scale. Throughout the period covered, GM stressed the need and importance of improved education. And with their various sponsorships and activities they backed up their rhetoric with substantial capital.

The 1990 PIR was dedicated almost exclusively to education. In that report, GM first discussed its own programs. These included the UAW-GM Human Resource Center (re-education activities aimed at displaced workers), basic education enhancement (designed to increase the general literacy of employees at GM), training and development for salaried employees, employee assistance program (AIDS education and substance abuse), and employee educational support programs.

Then the reports provided GM's perspective on the state of American education. First, the report addressed the issue of illiteracy. GM claimed that a high school diploma no longer guarantees functional literacy. Second, it assessed skills in math and science. It cited a joint study by the National Science Foundation and the Department of Labor finding that among 11 countries investigated in the study, the U.S. finished last in math abilities and near last in science.

Concern for college education was also addressed. The PIR pointed to an expected decline in the number of college professors to the year 2010, particularly in the scientific and technical areas. This, the report claimed, would further contribute to the decline in the quality of education in the U.S.

In addition to discussing their normal programs, as in previous years, in 1990 GM discussed several innovative programs aimed at fostering improvement in education. A pre-college program designed to foster the improvement of skills, and enhance the probabilities that bright students would make it to college was highlighted. Participation (totalling over $225,000 per year) in Mathcounts, a junior high math competition nationwide, was given as an example. A brief description of each of the following programs were included in the PIR: a Detroit area pre-college engineering program, a summer training and education program, a quality education program, Sunraycer in the Classroom (an engineering case study of solar powered vehicles), presidential scholars, plant city educational programs, and Opportunities Industrialization Centers (OIC) of America (designed to help educate underprivileged).

GM engaged in several very significant projects classified as "other contributions". It was responsible for the $20 million revitalization of the New Center Area north of Detroit, as well as the establishment of the Sloan-Kettering Institute, founded and named for ex-GM executives Alfred

Sloan and Charles Kettering, who were particularly concerned with finding a cure for cancer. Each year, the company awarded three outstanding cancer research awards, recognizing significant contributions to the field of cancer research.

Conclusion

From 1971 to 1974, GM conducted annual meetings in various of their product development facilities. They issued what appeared to be duplicate reports in 1974. There was a report that disclosed the proceedings of the 1974 meeting; but, there was then the first of the published "General Motors Report on Programs of Public Interest". Issued in 1975, it covered the annual period of 1974, in the same manner as an annual financial report. The format of an annual meeting was then dropped and an annual report format was adopted. During the period covering that first 1974 PIR through 1988, GM provided a relatively dispersed set of disclosures primarily focused on those discussed above, but also including a variety of other minor issues that occasionally would arise. In 1989, and especially 1990, GM departed from the standard format, devoting disproportionate space to relatively few issues. In 1989, the issues were the environment and automotive safety; however, the discussion was familiar, covering the same topics as in prior reports, but in more detail. In 1990, not only was the report primarily dedicated to the issue of education, but it encompassed issues not previously reported. And so the report, in those two years particularly, became a platform from which to state certain social agendas held by GM.

The PIRs serve as a device whereby GM can report its concerns, efforts, and opinions on a broad range of public issues. Although we focused on five of the more prevalent issues, others such as customer service, product quality, and corporate governance were discussed. As we examined the reports, it became apparent that GM's disclosures ranged in content from merely descriptive to argumentative. Descriptive sets of information were fundamental to all discussions. These were characterized by general descriptions of activities associated with GM operations. Often, GM presented information without moving beyond a descriptive position (i.e., never actually making or supporting an argument). Based on our analysis of the reports, we believe that three factors influenced the degree to which GM presented a more argumentive discussion. The three factors were: (1) the extent to which public attention is focused on the problem, (2) the cost associated with GM's adherence to a public standard of social behavior, and (3) the relative objectivity of the issue.

So, our first general conclusion is that as public attention increase on a particular issue, the level of GM's related disclosures increase. An example of this is GM's reaction to events in South Africa. In 1971, there was some attention focused on U.S. interests in South Africa. However, as the years went on, public attention focused more squarely on that issue. Demands were made for withdrawal, the Sullivan Principles, a code of conduct for South African operations, were formulated, penalties were imposed by states, and finally, the federal government stepped in and ended U.S. participation in that economy. With increased attention, one can observe an increase in the attention paid the issue in GM's reports. Initially, there were brief explanations provided about the nature of the operations there. Then there were reports of the various accomplishments of the GM in that country. And in the later years, prior to withdrawal, GM became fully argumentative, strongly maintaining an advocate position for nonwithdrawal.

The cost of compliance with socially mandated standards, and consequently the vested interest in potential changes in those standards, also influenced GM's level of disclosure on an issue. Compare, for instance, EEO standards with emission standards. Both are federally mandated, yet GM presented the EEO data in a very matter-of-fact manner. This was in contrast to the emissions argument, where GM provided substantial disclosure, much in a very argumentative way. In the case of EEO standards, GM appeared to concede any of several things: EEO is a good thing, and thus need not be argued with, EEO is an unchangeable thing, and need not be argued with, or possibly, EEO does not represent sig-

nificant imposed costs, and thus warrants no argument. Yet with emissions standards, significant costs were incurred by GM in order to comply. And this controversy is ongoing. Thus, GM has a vested interest in making its position known, and further, convincing stakeholders that its position is valid.

Finally, the relative subjectivity of an issue appears to affect the extent and nature of GM's disclosure. Again, consider the case of South Africa. U.S. investment there was hotly debated, with even Black leaders in that country being divided on the issue. The "right" thing to do was not so easily determined. And as mentioned before, one might observe that GM provided substantial disclosure on the South Africa issue.

As of December 31, 1989, GM employed a total of 414,211 employees. Of those, 77,885 (18.8%) were women and 85,225 (20.6%) were of a minority group. The programs GM detailed in the reports examined by this study suggest a clear recognition of the importance of this constituency in public perceptions of its social responsibility. The activities of GM in the areas of philanthropy, education, environmental integrity, and the others all afforded conclusions on the part of the reader. It is quite evident from the efforts put forth both in the programs described and the reporting itself that GM is socially responsive. It is not the purpose of this report to judge whether the actions reported were proactive, defensive, accommodative or reactive. Rather, we suggest that the public interest report as a disclosure device provides firms the opportunity to disseminate information unique from the usual set of financial disclosure found in an annual financial report. And we would not preclude the possibility found in an annual financial report. And we would not preclude the possibility that the report may serve as a vehicle which would build a certain momentum in public responsibility, and thus partially drive decisions made by management in social issues.

Note

[1] An interesting side bar to this section is found related to GM's 1990 disclosure of their current operations in five other African countries: Egypt, Kenya, Nigeria, Tunisia, and Zaire. The interesting note: each of these countries are listed by Freedom House, a human rights organization based in New York, as countries that are "Not Free". (Karathnycky, 1994).

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